

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 SCEM-02 INT-08 SCI-06

STR-08 CEA-02 EUR-25 DODE-00 PM-07 H-03 L-03 NSC-10

PA-04 PRS-01 SS-20 USIA-15 ACDA-19 IO-14 DRC-01 /245 W

----- 025328

R 030620Z NOV 73

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 5456

INFO AMEMBASSY GUATEMALA

RUESMGXAMEMBASSY MANAGUA 2100

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

LIMITED OFFICIAL USE SAN JOSE 3906

E.O. 11652: N/A

TAGS: ENRG, CS

SUBJECT: RECMPE --TRANSFER BILL MOVES BACK TO ASSEMBLY PLENARY

REF: SAN JOSE 3817

SUMMARY: THE NATIONAL ASSEMBLY'S ECONOMIC
AFFAIRS COMMITTEE APPROVED BILL LATE OCTOBER 31
FOR TRANSFERRING COSTA RICAN REFINERY RECOPE FROM
ALLIED CHEMICAL TO THE GOCR, WITH SUGGESTED AMEND-
MENTS WHICH WOULD WEAKEN MINISTER KOGAN'S HOLD ON
PETROLEUM AFFAIRS AND ELIMINATE A POTENTIAL IRRITANT IN
THE GOCR'S RELATIONS WITH THE FOREIGN DISTRIBUTORS.
BILL EXPECTED TO BE CONSIDERED BY THE ASSEMBLY IN
PLENARY STARTING MONDAY AND PASSAGE ANTICIPATED BY
THURSDAY, NOVEMBER 8. FROM USG INTEREST STANDPOINT,
IMPORTANCE IS THAT SPOTLIGHT NOW ON DOMESTIC ASPECTS
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OF RECOPE AND GOCR/ALLIED CHEMICAL CONFLICT

SEEMS TO HAVE RECEDED TO BACKGROUND. END SUMMARY.

1. DURING SESSION ENDING EVENING OF OCTOBER 31, THE NATIONAL ASSEMBLY'S ECONOMIC AFFAIRS COMMITTEE RECOMMENDED THREE SUBSTANTIVE AMENDMENTS TO THE GOCR BILL (ORIGINAL BILL BEING POUCHED TO ARA/CEN UNDER TRANS-MITTAL SLIP) TRANSFERRING OWNERSHIP OF RECOPE FROM ALLIED CHEMICAL TO THE GOCR, AS FOLLOWS:

(A) A \$25 MILLION STATE GUARANTEE (AVAL) REQUESTED AS BACKING FOR ANTICIPATED FINANCING FOR CAPITAL IMPROVEMENTS TO RECOPE WOULD BE REDUCED TO \$5 MILLION TO COVER OBLIGATIONS TO ALLIED CHEMICAL AND OTHER SHORT-TERM EXPENSES ONLY. (CAPITAL NEEDS TO BE CONSIDERED SEPARATELY.)

(B) AN ARTICLE GIVING THE MINISTRY OF ECONOMY, INDUSTRY, AND COMMERCE (MEIC) AUTHORITY TO NULLIFY DISTRIBUTOR CONTRACTS WOULD BE DROPPED, AND

(C) THE COUNCIL OF GOVERNMENT AND NOT THE MEIC WOULD BE GIVEN AUTHORITY TO MAKE APPOINTMENTS TO RECOPE'S BOARD.

3. CONCERNING THE REFINERY ITSELF, RECOPE'S LAME-DUCK MANAGER, PAUL COVERSTON, TOLD EMBOFFS NOV. 1 THAT RECOPE WOULD BE FORCED TO OPERATE AT A DEFICIT IF THE GOCR HELD TO ITS RESOLVE TO POSTPONE PRICE INCREASES (PARTICULARLY FOR DIESEL) UNTIL AFTER ELECTIONS. HE NOTED THAT THIS DEFICIT WOULD BE COVERED BY GOCR'S DECISION TO SUSPEND PAYMENTS ON THE FRENCH DEBT AND BY KOGAN'S ATTEMPT TO GAIN A TAX REMITTANCE MORATORIUM FOR RECOPE, (E.E. RECOPE WOULD USE GASOLINE TAXES ITSELF--REPORTEDLY MINISTER OF FINANCE ALPIZAR SO FAR SUCCESSFULLY RESISTING THIS). COVERSTON APPEARED TO HAVE NO WORRIES ON THE SCORE OF ALLIED'S RECEIVING PAYMENT FOR THE SOME \$2 MILLION DUE FROM THE GOCR FOR INVENTORIES. HE MAINTAINED THAT EVEN IF ASSEMBLY ACTION ON THE TRANSFER MEASURE SHOULD BE DELAYED, THAT "ALLIED IS OUT OF IT" AND LIMITED OFFICIAL USE

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THAT ALLIED'S INTERESTS NOT INVOLVED. (ALLIED IS NOT A PARTY TO THE FRENCH DEBT, THEREFORE, HAS NO LIABILITY.) COVERSTON ACKNOWLEDGED THAT THE OCTOBER TRANSFER AGREEMENT BETWEEN ALLIED AND THE GOCR REPRESENTED SALE OF THE REFINERY ON TERMS APPROXIMATELY AS ENVISAGED AT THE EARLIER MEETING IN HOUSTON ALTHOUGH THE PRICE WAS LOWER THAN ALLIED HAD SOUGHT DURING

TALKS WITH THE GOCR SOME TWO YEARS AGO.

4. COMMENT: THE COMMITTEE'S RECOMMENDATIONS ARE A REBUFF TO MINISTER KOGAN'S ATTEMPT TO DRAW MUCH OF THE CONTROL OF RECOPE TO HIMSELF. ESSENTIALLY, THE COMMITTEE SEEMS TO BE SUGGESTING A COMPROMISE WHICH WOULD SANCTIFY TRANSFER OF RECOPE TO THE GOCR WITHOUT MOVING TOO HASTILY INTO COMMITMENTS FOR LONG TERM OPERATION OF THE FACILITY. FROM THE USG POINT OF VIEW, WE THINK THIS IS A GOOD COURSE. THE RECOMMENDATION THAT POINT(B), ABOVE, BE DROPPED SEEMS PARTICULARLY WISE. WHETHER KOGAN INTENDED TO MAKE ACTIVE USE OF SUCH A PROVISION OR NOT, ITS EXISTENCE IN LAW WOULD HAVE BEEN AN UNNECESSARY IRRITANT IN THE GOCRS RELATIONS WITH THE FOREIGN DISTRIBUTORS, AND CONCEIVABLY, IN U.S.-GOCR RELATIONS. COVERSTON TOLD EMBOFFS THAT HE HAD BEEN ASSURED THAT THE BILL WOULD BE PASSED ON LATER THAN THURSDAY, NOVEMBER 8, AND KOGAN ALSO TOLD EMBOFFS IT WOULD MOVE SMOOTHLY. WE ANTICIPATE THAT THE BILL BE PASSED SUBSTANTIALLY AS RECOMMENDED BY THE COMMITTEE.

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